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REGIONAL AND SUBREGIONAL ECONOMIC INTEGRATION AND COOPERATION AMONG DEVELOPING COUNTRIES: ADJUSTING TO CHANGING REALITIES

THE AFRICAN CASE

Report by the UNCTAD secretariat

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LIST OF ABBREVIATIONS

AEC	African Economic Community
ALADI	Latin American Integration Association
ALGR	Authority for the Integrated Development of the Liptako-Gourma Region
AMU	Arab Maghreb Union
ASEAN	Association of South-East Asian Nations
CAfCH	Central African Clearing House
CE	Council of the Entente
CEAO	West African Economic Community
CEEAC	Economic Community of Central African States
CEPGL	Economic Community of the Great Lakes Countries
CILSS	Permanent Inter-State Committee on Drought Control in the Sahel
EEC	European Economic Community
ECOWAS	Economic Community of West African States
IOC	Indian Ocean Commission
LCBC	Lake Chad Basin Commission
MRU	Mano River Union
NBA	Niger River Basin Authority
OAU	Organization of African Unity
OKB	Organization for the Planning and Development of the Kagera River
OMVG	Organization for the Development of the River Gambia
OMVS	Organization for the Development of the Senegal River
PTA	Preferential Trade Area for Eastern and Southern African States
PTACH	PTA Clearing House
SACU	South African Customs Union
SADCC	Southern African Development Coordination Conference
UDEAC	Central African Customs and Economic Union
WACH	West African Clearing House

INTRODUCTION

1. Regional and subregional economic integration and cooperation is widely recognized and accepted as a necessary condition for the long-term sustainable and stable development of African countries. There are a number of reasons for this. The single most important one is the acute fragmentation of the African continent. As a consequence of this fragmentation, very few single African countries possess the resources and market size necessary for viable industrialization. Even fewer African countries can participate on their own in the rapid technological and information revolution now sweeping the world.

2. The African countries themselves and the international community, in various convergent policy declarations and statements, have underlined intra-African economic integration and cooperation as indispensable for the socioeconomic transformation of African countries. Three region-wide development programmes have been adopted at the annual summits of Heads of State and Government of the Organization of African Unity (OAU): namely, the "Monrovia Declaration" in July 1979, the Lagos Plan of Action (1980-2000) for the economic development of Africa and the Final Act of Lagos of April 1980. Drawing inspiration from the Lagos Plan of Action, the United Nations General Assembly adopted in June 1986 the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAERD) which endorsed international support for intra-African economic integration and cooperation. This emphasis has been maintained in the "United Nations New Agenda for the Development of Africa in the 1990s", adopted by the General Assembly in December 1991.

3. The Lagos Plan of Action and the Final Act of Lagos established major guidelines whereby the African countries, individually and collectively, would undertake economic development. Collectively, the consolidation of the African economic space through subregional common markets was a primary objective owing to its importance for the development and expansion of intra-African trade. Trade, being the engine of growth, would stimulate regional agricultural, industrial, technological and infrastructural development.

4. Major changes evolving on the international political and economic scene have given new impetus to regionalism. Recently there has been an up-surge in worldwide activities to accelerate, consolidate and expand regional and subregional economic integration and cooperation programmes as well as create new ones.[1] Parallel to the global resurgence of interest in regional cooperation, intra-African economic integration and cooperation has been given renewed emphasis. However, if the coming decades are to witness the evolution of a viable dynamic process of intra-African economic integration and cooperation, the revival process needs to be set in the context of a realistic appraisal of past experience and the new regional and global realities.

5. This report appraises the process of African regional and subregional economic integration and cooperation. The aim is to identify major issues requiring priority attention for revitalizing as well as adjusting the process to new realities.[2] Chapter I discusses the major obstacles encountered in the past. Chapter II examines major guidelines for creating a viable foundation for rendering intra-African economic integration and cooperation more dynamic and adaptable to changing conditions. Chapter III discusses the emerging global and regional framework within which the whole process of strengthening intra-African economic integration and cooperation needs to be set. The last chapter summarizes the main conclusions of the report.

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1 For further discussion see, for example, UNCTAD, ***The implications of bilateral arrangements and regional economic integration, especially in those which have a major impact on global trade, in particular on the trade and development of developing countries*** (TD/B/1242, 16 January 1990).

2 Many other studies on intra-African economic integration and cooperation have been conducted in the recent past. See for example F.T. Joshua, "Experience of African regional economic integration" in ***UNCTAD Review***, (Vol. 1, No.2, 1989: pp. 59-78) and World Bank, ***Sub-Saharan Africa: From Crisis to Sustainable Growth***, (World Bank: Washington, D.C., 1989: Chapter 7).

I. OBSTACLES ENCOUNTERED

6. The salient obstacles encountered in the past affecting the process of intra-African economic integration and cooperation and the associated lessons derived from that experience will be reviewed under the broad categories of institutions, their objectives and policies and instruments.

A. Institutions

7. Institution-building is an essential element for the promotion of economic integration and cooperation. It is an area in which African countries have been quite prolific. There are about 10 major subregional 'integration' groupings with multisectoral responsibilities; they pursue common market objectives. These include the Arab Maghreb Union (AMU), the Central African Customs and Economic Union (UDEAC), the Economic Community of West African States (ECOWAS) and the Preferential Trade Area for Eastern and Southern African States (PTA). In addition, there are numerous other intergovernmental and non-governmental 'cooperation' groupings with responsibility for specific sectors (infrastructure development, education, health), for combating specific problems (desertification, locusts, riverblindness) or for developing lake and river basins.

8. Institutional proliferation has led to a situation of overlapping membership in groupings on the part of African countries. There are about three different layers of membership; first, at the regional level, all African countries (except two) are members of OAU. Secondly, all African countries are members of one or more subregional integration groupings. In ECOWAS, for example, seven member States are also members of the West African Economic Community (CEAO) while three member States are also members of the Mano River Union (MRU). In Central Africa, all the member States of UDEAC are also members of the Economic Community of Central African States (CEEAC). In Southern Africa, most of the member States of the Southern African Development Coordination Conference (SADCC) are also members of PTA. Thirdly, most countries are also members of multilateral cooperation groupings. Table 1 below illustrates this situation.

9. The effectiveness of groupings has been undermined by their proliferation. Most groupings depend on financial support from member Governments. However, countries having membership in two or more groupings incur heavy financial burdens which are often beyond their means. In the 1980s, in particular, most African countries suffered serious liquidity problems and could not pay the financial contributions owed to groupings. Many countries, which at times encountered difficulties in meeting the payment of salaries in their public service, were even less responsive to the plight of the groupings. Some member States have accumulated considerable arrears in their financial contributions. For example, in ECOWAS as of December 1990, most of the member States had accumulated arrears amounting to over four years of contributions. Thus many groupings have been experiencing great financial difficulties which have reduced them to implementing only a minimum of their work programmes with a small number of professional staff.

10. Most of the cooperation groupings have been in almost perpetual financial difficulties. They normally have small budgets despite large staff (especially professional) expenditures and high-cost projects. Non-payment of contributions by member States severely curtails their administration budgets. Moreover, many of these groupings have not been successful in mobilizing sufficient resources for financing their cooperation projects. They thus have been forced to scale down substantially their activities and to devote considerable effort to the search for new sources of financing. The Gambia River Development Organization, for example, had reduced its budget and secretariat structure in 1991.

Table 1

FREQUENCY OF MEMBERSHIP BY AFRICAN COUNTRIES IN MAJOR ECONOMIC INTEGRATION AND COOPERATION GROUPINGS

COUNTRY	GROUPINGS	COUNTRY	GROUPINGS
Algeria	AMU	**Malawi**	PTA, SADCC
Angola	SADCC	**Mali**	ECOWAS, CEAO, CILSS, NBA, OMVS, ALGR
Benin	ECOWAS, CEAO, CE, NBA		
Botswana	SADCC, SACU	**Mauritania**	ECOWAS, CEAO, AMU, CILSS, OMVS
Burkina Faso	ECOWAS, CEAO, CE, CILSS, NBA, ALGR	**Mauritius**	PTA, IOC
		Morocco	AMU
Burundi	CEEAC, CEPGL, PTA, OKB,	**Mozambique**	PTA, SADCC
		Namibia	SADCC
Cameroon	UDEAC, CEEAC, LCBC, NBA	**Niger**	ECOWAS, CEAO, CE, CILSS, LCBC, NBA, ALGR
Central African Rep.	UDEAC, CEEAC		
Chad	UDEAC, CEEAC, CILSS, LCBC, NBA	**Nigeria**	ECOWAS, LCBC, NBA
		Rwanda	CEEAC, CEPGL, PTA, OKB
Comoros	PTA, IOC		
Congo	UDEAC, CEEAC	**Sao Tome & Principe**	CEEAC
Cote d'Ivoire	ECOWAS, CEAO, CE, NBA	**Senegal**	ECOWAS, CILSS, OMVG, OMVS
Djibouti	PTA		
Equatorial Guinea	UDEAC, CEEAC	**Seychelles**	IOC
Ethiopia	PTA	**Sierra Leone**	ECOWAS, MRU
Gabon	UDEAC, CEEAC	**Somalia**	PTA
Gambia	ECOWAS, OMVG	**South Africa**	SACU
Ghana	ECOWAS	**Swaziland**	PTA, SADCC, SACU
Guinea	ECOWAS, MRU, NBA, OMVG	**Tanzania Uni. Rep.**	PTA, SADCC, OKB
		Togo	ECOWAS, CE
Guinea Bissau	ECOWAS, OMVG	**Tunisia**	AMU
Kenya	PTA	**Uganda**	PTA, OKB
Lesotho	PTA, SADCC, SACU	**Zaire**	CEEAC, CEPGL
Liberia	ECOWAS, MRU	**Zambia**	PTA, SADCC
Libyan Ar. Jam.	AMU	**Zimbabwe**	PTA, SADCC
Madagascar	IOC		

Source: Adapted from F.T. Joshua, "Experience of African Regional Economic Integration" in ***UNCTAD REVIEW***, vol.1, No.2, 1989: pp. 61-63: Table 1.

Note: The abbreviations for groupings have been previously defined (see page iv).

11. Integration groupings within the same subregions generally share similar objectives and perform similar functions. For example, as noted previously, ECOWAS, MRU and CEAO are located in the same West African subregion and they all aim at fostering the free flow of peoples, goods and services. Similar concerns apply to UDEAC and CEEAC in Central Africa, and increasingly to PTA and SADCC in Southern Africa, as the latter grouping moves towards including economic 'integration' issues in its former 'cooperation' programme (see chapter III, section C below). Moreover, the functions of the multisectoral integration groupings and the sector-specific cooperation groupings can also overlap. For instance, one of CEAO's functions covers cooperation in the production, processing and marketing of livestock and meat; this is also a specific function of the Economic Community for Livestock and Meat of the Council of the Entente for largely similar French-speaking West African countries.

12. The situation of groupings with overlapping objectives and functions within the same subregion creates a strong potential for duplication of activities, leading to uneconomical use of available scarce financial and human resources. Moreover, attendance at the high-level meetings of these groupings becomes costly and onerous for member States. These meetings often generate a plethora of decisions and acts which can be not only confusing to member States but also an administrative burden. For example, for a country with membership in three integration groupings, the coordination and application of common transit documents and customs forms becomes unmanageable at the level of working officials.

13. Additionally, national follow-up mechanisms are generally lacking for most groupings. This lacuna is manifested in member States' slow and low rate of ratification and implementation of acts and decisions adopted by the governing bodies of groupings. It has contributed in some degree to a delay in the launching of trade liberalization schemes and to a failure to fulfil financial obligations by member States.

B. Objectives

14. Objectives and timetables for achieving the objectives are integral to the process of economic integration and cooperation. In all groupings, the original treaties and associated protocols delineate the main objectives and the process of movement towards them through each stage, with a series of activities to be implemented within certain time periods. The adoption of holistic goals is necessary for integration groupings with a common market objective. The establishment of a free trade area, for instance, requires member countries to adopt common trade liberalization programmes for the removal of national tariff duties on the intra-trade of the grouping. Similarly, the formation of a customs union requires member countries to adopt a single common external tariff. However ambitious, these are necessary objectives. The cooperation groupings likewise establish timetables for achieving their objectives, mainly through implementation of development projects.

15. One major criticism of integration groupings in particular is that their objectives are often too ambitious. This problem relates more to the timetables and sequencing of the different stages of implementation rather than their common market objectives. There has been a tendency to adopt timetables of short periods and a sequencing of implementation of activities whereby each different stage in the overall process should be achieved by all member States within the designated time period. There is naturally a desire to consummate the common market process within the shortest period possible. Many member States, however, have not been able to match the pace, given their wide differences in terms of stages of development, tariff structures and macroeconomic policies. Consequently the member State with the slowest rate of implementation has tended to determine the pace of the entire grouping's progress towards economic integration. This means that implementation of planned activities has often lagged far behind the agreed timetables.

16. Another major problem has been a emphasis on a *laissez-faire* approach to regional market-integration. Most of the integration groupings have focused their attention on trade liberalization measures and paid less attention to other sectors supporting trade expansion, such as production integration or monetary and financial cooperation. However, the development of these latter conditions for supporting regional trade expansion among African countries was important as these elements were in general lacking (see also section below).

C. Policies and instruments

17. Most groupings have established programmes for economic integration and cooperation covering trade liberalization, multilateral clearing and payment arrangements, agricultural and industrial development, and cross-border infrastructure development.

1. Trade liberalization

18. Progress towards trade liberalization has been painfully slow in all integration groupings. This is of major concern because trade liberalization is the first major step towards the formation of free trade areas, customs unions and common markets. For example, the ECOWAS trade liberalization scheme was launched on 1 January 1990,[3] ten years after the original schedule. The Economic Community of the Great Lakes Countries (CEPGL), MRU and PTA have been attempting to strengthen and consolidate their trade liberalization schemes. CEEAC

[3] It provides for the gradual elimination of tariffs to intra-ECOWAS trade in all products by the end of this century.

has yet to launch its trade liberalization scheme. AMU recently approved a programme for intra-regional trade liberalization. The poor record in trade liberalization partly explains the poor intra-trade performance of groupings, especially when viewed in terms of the percentage accounted by intra-group trade in the group's total exports. This has been so for most groupings, with the notable exception of CEAO (see table 2 below).

19. A number of conceptual problems blocked progress on regional trade liberalization. These included: difficulties in standardizing and eventually harmonizing customs documents and tariff schedules; stringent rules of origin which often disqualified the bulk of manufactured and agricultural products produced by member States from benefiting under the regional trade liberalization programmes; the fear, especially on the part of the lesser advanced countries, of loss of fiscal revenue in the event of intra-African trade liberalization;[4] and problems of balancing the distribution of benefits and costs of economic integration, in particular industrial growth, in view of their possible polarization in the more advanced member States.

Table 2

AFRICAN INTRA-GROUP TRADE PERFORMANCE, 1981 TO 1989

Country Group	1981	1985	1986	1987	1988	1989
A. Value of intra-group trade (in millions of dollars)						
CEAO	396	297	300	416	499	...
CEEAC	111	70	125	128	193	...
CEPGL	7	10	8	8	10	...
ECOWAS	944	481	491	588	684	...
MRU	3	4	4	5	6	...
PTA	482	333	372	487	506	494
SADCC	258	200	226	308	304	...
UDEAC	146	50	84	103	117	...
B. Intra-group trade as a percentage of total exports of each group						
CEAO	10.1	7.1	6.5	8.4	10.5	...
CEEAC	2.4	1.4	2.8	2.9	3.7	...
CEPGL	0.2	0.8	0.6	0.7	0.7	...
ECOWAS	4.6	2.5	3.2	4.0	4.9	...
MRU	0.1	0.4	0.4	0.5	0.6	...
PTA	9.0	7.5	6.9	8.9	8.0	7.8
SADCC	5.7	4.9	5.9	6.1	5.0	...
UDEAC	3.0	2.0	3.0	3.2	3.6	...

Source: UNCTAD, TD B C.7 AC.3 10: Table 1.
Note: Data not available indicated by "...".

20. In addition, the effectiveness of approved trade liberalization programmes has been constrained by, among other things, low product coverage, low preferential tariff margins and a lack of progress in eliminating non-tariff barriers which are also difficult to define and classify. Furthermore, the enterprise sector was often not a participant in the drafting of trade liberalization programmes or the corresponding selection of product items for preferential treatment. Consequently, the enterprises were not only unaware, but could not take advantage of the preferences granted. Weakness in production linkages has also hindered intra-regional trade expansion (see sub-section (3)).

[4] This is a valid concern although it has often been exaggerated given that intra-African trade accounts for only a small percentage of the total trade of developing African countries (around 7 per cent in 1988 and 1989). Moreover, the rules of origin requirements further limit the product items that could be considered for preferential treatment.

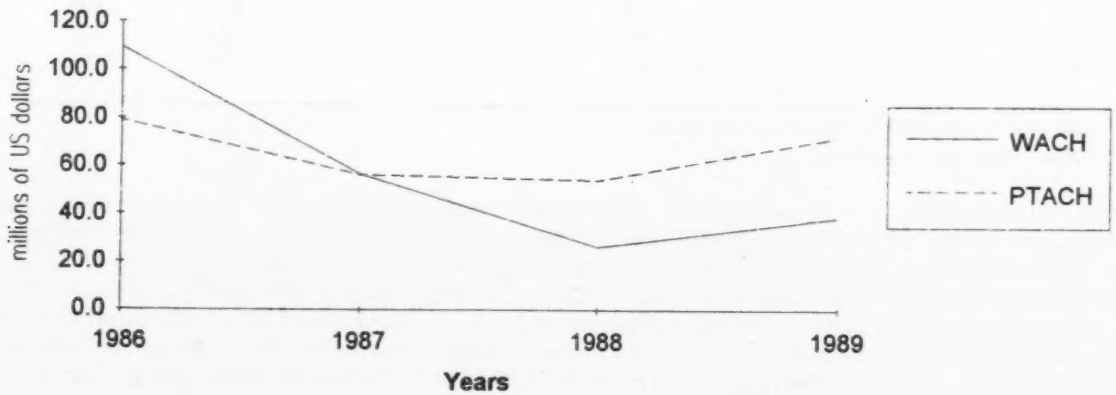
21. It has been observed that following the implementation of trade liberalization programmes, in the case of developing country groupings, there was an initial expansion of intra-grouping trade after which such trade stagnated and then declined during the crisis period of 1982 to 1986.[5] For example, when CEAO extended mutual trade preferences after 1970, the value (and percentage share in total CEAO exports) of intra-grouping trade expanded from US$ 177 million (6.7 per cent) in 1976 to US$ 396 million (10.1 per cent) in 1981; it then declined to US$ 300 million (6.5 per cent) in 1986. In UDEAC, which extended mutual trade preferences before 1970, the value (and percentage share in total UDEAC exports) in intra-grouping trade expanded from US$ 3 million (1.6 per cent) in 1960 to US$ 200 million (4.1 per cent) in 1980; it then declined to US$ 50 million (2.0 per cent) in 1985.

22. In the period after 1986, it is worth noting that the intra-regional trade of African integration groupings appeared to be recovering from the crisis of the 1980s (see table 2 above). The value of intra-trade of all groupings had increased steadily after 1986 such that by 1988 most of the integration groupings' intra-trade value had exceeded the pre-crisis level of 1981. In most of the groupings, the percentage share of intra-trade in their total trade had also increased between 1986 and 1988.

2. Clearing and payments arrangements

23. Three multilateral clearing and payments arrangements have been established, namely, the West African Clearing House (WACH), Central African Clearing House (CAfCH) and the PTA Clearing House (PTACH). They promote the use of member States' currencies in clearing current trade transactions among them, which helps to minimize the use of scarce hard currency. However, their operations have been limited. For example, the total volume of transactions channelled through WACH in 1986 amounted to US$ 109 million, while ECOWAS intra-trade in the same year stood at US$ 970 million. In PTACH, in 1986, the total volume of transactions channelled through its clearing facility amounted to US$ 79 million, while total PTA intra-trade amounted to US$ 372 million.[6] Moreover, these transactions declined during the 1980s, reaching their lowest level in 1988 for both PTACH (US$ 64 million) and WACH (US$ 26.2 million) with the decline in WACH being quite substantial (see the graph below).

TOTAL TRANSACTIONS CHANNELLED THROUGH WACH AND PTACH
(in millions of US dollars, 1986-89)



Source: UNCTAD (TD/B/C.7/AC.3/10) Table 4

5 UNCTAD, ***Economic integration among developing countries: trade cooperation, monetary and financial cooperation and review of recent developments in major economic cooperation and integration groupings of developing countries*** (TD/B/C.7/AC.3/10, 12 December 1990: pp. 2-3).

6 UNCTAD, TD/B/C.7/AC.3/10: tables 1 and 4. Data for transactions channelled through CAfCH are not available.

24. Several factors were instrumental in limiting the operations of the clearing arrangements. Chief among them were: weaknesses in the intra-trade of integration groupings; imbalances in the trade exchanges of member States which fostered persistent debtor-creditor patterns; restrictions on the types of good for which transactions could be cleared through the clearing arrangements; and the avoidance of the clearing system by member countries on account of foreign exchange problems.

25. Measures have been taken to revamp the clearing arrangements. A new arrangement was created to replace and revitalize CAfCH. In PTACH, following the adoption of new instruments, including a PTA unit of account for clearing purposes, there has been a decrease in the percentage of transactions cleared using foreign convertible currencies. In WACH, the arrears accumulated within the system have been reduced and efforts are now being concentrated on arresting and reversing the declining volume of cleared transactions. These improvements appear to have generated some signs of recovery in WACH and PTACH in 1989 (see graph above).

3. Agricultural and industrial development

26. Although many integration groupings have identified priority objectives for subregional agricultural and industrial development, limited concrete measures have been taken in pursuit of these objectives. In most of the integration groupings, member States were preoccupied with trade liberalization issues and consequently paid limited attention to joint agricultural and industrial development cooperation. Hence, these sectors generally remained on the periphery of the process of intra-African economic integration and cooperation.

27. The designing and adoption of agricultural and industrial programming policies, for example, have not yet been defined or elaborated in many integration groupings. Common rules governing foreign direct investment such as those concerning investment incentives are matters still under discussion. In effect, the necessary policy guidelines and programmes for subregional industrial development have not been put in place. As a result, most integration groupings in Africa have not been able to establish major multinational industrial projects, for example.

28. Some groupings have undertaken agricultural cooperation initiatives aimed basically at developing agricultural production and establishing self-sufficiency in food. The Council of the Entente and SADCC, for example, have implemented activities aimed at the production, processing and marketing of livestock and meat. Many of these initiatives, however, suffer from the lack of sufficient development funds.

29. The weakness of agricultural and industrial-development-related activities in most groupings has been a major handicap, given that African economies, especially at the subregional levels, are characterized by low economic complementarity. These economies share similar production structures which are primarily commodity-based with a limited degree of manufacturing based on broadly similar levels of industrialization. The weak subregional production bases yield a limited range of tradeable (and consumeable) products. This in turn narrows the scope for, and restricts the prospects of, regional trade exchanges.

4. Infrastructure development

30. The lack and poor quality of regional infrastructure and networks -- historically oriented more to developed countries -- have acted as a brake on intra-African trade expansion and industrial growth. Regional transport and communication networks within most subregions of Africa are either obsolete and dilapidated or are virtually non-existent. This situation poses formidable barriers to intra-regional trade. Despite valiant efforts to correct the deficiency, much needs to be done, especially by subregional groupings, as continental roads, railways, airlines and telecommunication facilities linking countries within Africa are still very few.

31. Regional infrastructural development could have progressed further within groupings if there had been substantive progress towards regional market-integration and industrial development. The expansion of regional trade through market-integration measures and the growth of regional industrial capacity would naturally lead to the development of the necessary supportive infrastructure linkages; in fact they are mutually interdependent. However, without a strong movement towards regional market-integration and industrial growth, the development of regional infrastructure networks has also lagged.

32. Notwithstanding these limitations, there have been some positive developments, mainly in some of the 'cooperation' groupings. This is exemplified most vividly by the experience of SADCC which has been able to secure considerable funds for its projects owing to its emphasis on infrastructure development (rather than on market-integration) during its first ten years of existence and to its special relations with external donor agencies and countries. For example, by the end of July 1991, SADCC had mobilized for its projects a total of US$ 3.5 billion (or 41 per cent of its total resource needs) from regional and international sources.[7] The availability of finance for many SADCC projects is a major factor underpinning its regional cooperation process. Apart from SADCC, the infrastructural projects of most sectoral cooperation groupings generally lack sufficient funding, however.

33. Some of the integration groupings which have been bogged down in their market-integration efforts have nevertheless been able to make some headway in the development of physical infrastructure. ECOWAS, for example, has achieved progress towards establishing telecommunications links between all ECOWAS capital cities. This attainment indicates a certain willingness on the part of member States to give practical effect to those cooperation activities which enhance their development prospects while respecting their sovereignty, at least in the initial stages of cooperation.

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7 ***SADCC Annual Report: July 1990 - June 1991***, (SADCC: p.32).

II. FUTURE OPTIONS

34. The foregoing appraisal reveals that it was primarily in the 'hard core' areas of economic integration and cooperation that the record of achievements was meagre despite the panoply of institutional structures and cooperation programmes in place. Endogenous factors, particularly involving weak institutional structures, errors of conception in integration and cooperation instruments as well as structural deficiencies have all been significant obstacles. The poor record of subregional groupings in drafting bankable projects and in mobilizing domestic and external funds for project financing has curtailed progress as well. These internal obstacles must be addressed before the foundations can be laid for viable intra-African economic integration and cooperation.

A. Institutional rationalization

35. Groupings are the major instruments for building viable subregional and regional economic integration and cooperation. Enhancing their effectiveness and technical competence is a prerequisite. This requires, as an immediate priority, rationalization through dissolution, merger or convergence, where appropriate, of the functions and activities of various existing groupings and, if necessary, of the groupings themselves within the same subregions. The need to streamline subregional groupings was identified in the Lagos Plan of Action. It becomes especially relevant in the context of the establishment of a continent-wide economic community (see chapter III, section B below).

36. The rationalization of groupings depends to a large extent on the political will of member States. Groupings are created by legal instruments (treaties and associated protocols) signed and ratified by member States. The very same member States, if they deemed it appropriate and necessary, could thus recommend their rationalization. A bold first step in this direction was taken by the 13th ECOWAS Summit session in May 1990 which recommended a rationalization within the ECOWAS framework of all other West African intergovernmental organizations with similar or comparable goals.[8] Similar initiatives are being carried out in Central Africa (involving CEEAC, UDEAC and CEPGL) and in Southern Africa (between PTA and SADCC).

37. Improving the financial status of groupings is another priority. At present it would depend on the member Governments making their financial contributions to groupings on a consistent basis as well as trying to eliminate arrears. This would allow groupings to keep sufficient qualified staff to carry out in a competent manner the planning, programming and execution of their heavy workload of economic integration and cooperation programmes. These range from trade liberalization and infrastructural development to social and political cooperation. Another option would be to prune the budget and workload of groupings to the minimum consistent with the maintenance of a high and efficient delivery capacity in crucial areas.

38. The poor record of many member States in making timely annual budgetary contributions to groupings has led some groupings to search for other ways and means of either becoming self-financing or reducing their dependence on financial contributions from member States. CEAO has been one of the first groupings to attempt internal sourcing of financing. It has adopted a community solidarity levy (*Prélèvement communautaire de solidarité*) of 1.0 per cent on all imports from third countries. The proceeds go to providing CEAO with its own permanent, stable source of internal revenue.[9]

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[8] Work in this direction is being carried out under a recent initiative of ECOWAS aimed at revising its constituent treaty.

[9] The applicability of this tax to imports from non-CEAO ECOWAS countries, however, is legally controversial. All CEAO member States are also members of ECOWAS thus the imposition of this tax appears to be incompatible with the provision of the ECOWAS trade liberalization programme on "standstill" and "rollback" of tariff duties, notwithstanding the definition of the measure as a "tax" rather than an import duty.

39. Several factors figure in the concept of self-financing by groupings through the imposition of levies. One is that an efficient administrative apparatus is needed to collect revenue and ensure its transfer to the grouping. Another is that high levies on locally produced goods (export taxes) may undermine competitiveness and lead to loss of exports. It may also undermine the very purpose of regional trade liberalization. Levies on imports from third countries may have implications for the cost of living, competition with Governments for revenue from the same source and relations with third trading partners. The question of the place of groupings in the whole development strategies of the member States is fundamental. Notwithstanding the fact that multiple membership in several groupings imposes heavy financial burdens on Governments, their failure to pay seems to suggest that, in spite of political pronouncements in support of groupings, they are not yet fully persuaded that groupings widen the choices available to each Government to pursue its development objectives. Willingness to pay is just as important as the member States' ability to pay; the former depends upon the value that the member States place upon their groupings.

B. Objectives

40. In the new phase of adjustment now underway, African countries are advocating an acceleration of the process of economic integration within groupings. The establishment of the single continental economic community is also being rigorously promoted.

41. Hence, there is need to accelerate the building and strengthening of an enabling environment that would support intra-African economic integration and cooperation. The internal deficiencies which obstruct regional development need to be addressed quickly. At the same time, the consolidation of the process of subregional market-integration must continue. In undertaking this complex and demanding task, groupings will need to be practical, avoiding ambitious implementation timetables and rigid sequencing of participation by member States.

42. An approach to regional development that is comprehensive, however gradual and step-by-step is required in the African context. In addition, it must be balanced and flexible. First, broad common market objectives should be maintained. Secondly, during implementation of major objectives, a minimum overall balance should be maintained in terms of priorities, especially in the areas of market-integration, monetary and financial cooperation, production integration and infrastructural development. Moreover, emphasis should be placed on those activities deserving priority attention and which have maximum chance of success. Thirdly, timetables encompassing the broad guidelines may be needed for maintaining momentum towards attaining specific objectives; however, such guidelines can only be indicative and not definitive. Fourthly, member States should not be expected or required to participate in economic integration and cooperation activities at the same speed. There should be some flexibility in the sequencing of member States' participation in regional development.

C. Trade liberalization

43. Trade liberalization is a major building block of economic integration and cooperation. In Africa, its potential remains to be fully realized. This deficiency should be corrected. Coincidentally, the scope for liberalization of trade has widened in the new atmosphere of movement towards general liberalization and opening up of economies in developing countries.

44. The actual launching and full implementation of trade liberalization programmes deserve high priority in groupings. Member States will need to identify and resolve quickly the problems blocking progress. This could be done through measures such as: identification of locally produced products which have major trade potential then concentrating the trade liberalization efforts on these products; adoption of less restrictive rules of origins which may enhance the benefits of regional tariff preferences accorded; promotion of a foreign investment policy that is friendly; and adoption of special or differential treatment in favour of the lesser advanced member States -- this should be geared to correcting, rather than compensating for imbalances, particularly through the creation of productive and export capacities.

45. In the case of groupings with operational trade liberalization programmes, priority should be accorded to the adoption of strong action towards removing non-tariff barriers, increasing product coverage and expanding the depth of preferential tariff margins. Other trade facilitating measures could also be developed and implemented.

46. Domestic economic operators should be encouraged to participate in the activities related to trade liberalization and trade-related activities. Enterprises would become aware of, and take advantage of, incentives to produce and created trade within groupings, especially if they were linked into the whole trade liberalization process. The experience of the Latin American Integration Association (ALADI) and the Association of South East Asian Nations (ASEAN) in involving the regional business community in trade cooperation activities could be of benefit to groupings in Africa. In ALADI, sectoral industrial groups have been organized to review and propose industrial products for preferential treatment. In ASEAN, the business community has been invited to participate in ASEAN's dialogue with its major development cooperation partners on trade and economic cooperation.

D. Agricultural and industrial development

47. The objective of developing, expanding and diversifying the production capacities of African countries -- both for lending support to the process of regional trade liberalization and for promoting overall economic development -- cannot be over-emphasized. At present, all the developing African countries have mostly commodity-dependent economies. Hence, for some time to come, they will probably continue to depend on trade in commodities. Joint cooperation in commodity-related development should therefore be a important consideration of such groupings. Cooperation in the production of and trade in food, in particular, deserves special treatment, given the mounting food needs of the African continent as population expands. Cooperation programmes and projects of groupings in this area should have strong support from member States.

48. In the long-term, African countries will have to diversify their production structures into growth sectors of manufactures and services in order to expand the range of consumeable and tradeable goods. It will be a slow process in view of the present low degree of industrialization in the developing countries of Africa.

49. Regional industrial development requires, as an immediate priority, the design and implementation of industrial development strategies and policies by groupings. Some of the groupings have begun to formulate plans for industrial development. ECOWAS, for instance, has undertaken inventories of existing industrial activities in its subregion as a first step towards a subregional industrial development programme. PTA has adopted a new regional integration strategy with industrial development as a central goal. Regional industrial development plans need not necessarily focus on establishing comparatively large multinational enterprises, but could help promote specialization between small- and medium-scale enterprises in different member States. The output of these regional industrial enterprises should be geared to serving national, regional and global markets.

50. Investment is also important for industrial development. Hence, groupings and their member States need to develop measures which would attract both local and foreign investment into productive industrial activities. SADCC countries, for example, have designated "investment in productive activities" a main cooperation theme. For this purpose, they have decided to devote the 1990s to creating a regional environment conducive to investment in their region.[10] Another SADCC innovation concerns cooperation with Nordic countries through such means as the establishment of the NORSAD Fund, which is dedicated to supporting the growth of private export-oriented companies in the SADCC region, especially those engaged in joint-ventures with Nordic countries. Similar investment funds made available for private-sector

[10] See ***SADCC: The Second Decade - Enterprise, Skills and Productivity***, (SADCC: Lusaka, 31 January - 2 February 1990).

development by regional institutions such as the African Development Bank could be tapped by groupings. African groupings could also be encouraged to examine the experience of successful groupings in other developing regions, such as ASEAN which is in the process of developing industrial joint-venture schemes involving the production of motor vehicles with Mitshubishi Motor Corporation, Volvo and Mercedes-Benz.

51. Indigenous entrepreneurship and inter-enterprise cooperation is also needed for strengthening the financial, managerial and technological capacities for industrial development, nationally and regionally. Groupings can play a role by designing measures for assisting local entrepreneurs to establish joint-venture arrangements, expand trade between enterprises and encourage other regionally-oriented productive activities. Regional trade promotion activities such as trade fairs and meeting between buyers and seller could be organized by groupings. PTA has found such activities to be beneficial in generating regional business. It had thus organized a Fourth Trade Fair, from 3 to 9 July 1992 in Dar es Salaam (United Republic of Tanzania). Enterprises should also be encouraged to participate in the formulation and implementation of trade and industrial development programmes of groupings.

52. Close contacts among chambers of commerce and industry and other business organizations of individual member States of groupings are needed. This would encourage inter-enterprise cooperation in trade and production. Groupings which have established mechanisms for this purpose include the PTA Chambers of Commerce and Industry and the SADCC Regional Business Council. A more recent endeavour was the establishment of the Association of African Trading Enterprises (ASATRADE) by a meeting of the trading companies in Abidjan in December 1991. ASATRADE aims at encouraging among its member enterprises the development of business linkages, contacts, and other economic cooperation aimed at strengthening their role in trade among developing countries, in general, and in intra-African trade, in particular.

E. Clearing and payments arrangements

53. The multilateral clearing and payments arrangements will have to be revitalized and their operations strengthened. As mentioned above in paragraphs 23 to 25, steps in this direction have already been taken by the three clearing houses of the region.

54. African countries not members of the three operational clearing arrangements should be encouraged either to join or to establish their own clearing arrangements, bearing in mind both the need to avoid proliferation of institutions and the efforts underway to create a single continental economic and monetary arrangement. In this connection, AMU's efforts to create a clearing arrangement deserves the full support of its member States.

55. Members of clearing arrangements should also be encouraged to allow a large proportion of the goods and services traded among themselves to be cleared by their clearing house. This would help to expand the volume of transactions so channelled. The possibility of establishing limited convertibility schemes among willing member States should be explored with a view to alleviating problems arising from disparities in exchange rate regimes.

56. A number of groupings have begun to take concrete steps towards the formation of single monetary zones. For example, ECOWAS has approved a timetable for the introduction of a single monetary zone and common monetary authority.[11] PTA has drafted a plan for monetary union among its member States.[12] Although monetary union is a desirable objective, it is likely

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[11] The initial ECOWAS monetary cooperation programme had the following elements (and time schedule): (i) analysis of non-tariff barriers and recommendations on their removal (1990); (ii) negotiations on the details and legal instruments of harmonization of macroeconomic policies directly related to monetary harmonization (1991); (iii) drafting of the protocols on the single monetary zone and the common monetary authority (1992); drafting of the statutes, rules and regulations of the common monetary authority (1993); (v) presentation of (iv) to the ECOWAS Authority for its consideration and approval (1994); and (vi) ratification of protocol relating to the single monetary zone and common monetary authority (1994). This original timetable is being revised.

[12] The long-term objective is the establishment of full monetary union in which a common monetary authority will assume the present functions of the national central banks. A number of steps that would need to be taken are defined, including: improving the functioning of the PTA multilateral clearing facility; liberalizing exchange rates; improving and developing financial structures; and establishing a PTA Stock Exchange and promoting cross-border investments and free flow of capital.

to evolve only over time, given the complexity of the subject and the current situation in Africa where there are many non-convertible currencies, at differing floating exchange rates and with various foreign exchange restrictions.

57. Other sectors of financial and monetary cooperation should likewise be gradually explored. For example, groupings and their member States could consider establishing, where needed, trade financing institutions to provide short- and medium-term credit for trade in non-traditional products, in particular. Another area for expansion is the mobilization of domestic savings and promotion of regional capital markets for economic development.

F. Follow-up at the national level

58. The establishment and strengthening of national follow-up mechanisms are essential for the promotion of an internally dynamic process of economic integration and cooperation. This goal could pursued through several approaches.

59. A direct approach would be the creation of focal points for economic integration and cooperation in national ministries. The focal points would be involved in mobilizing national government support as well as that of other economic operators and social groups. However, ECOWAS found that the mere formation of focal points did not suffice unless such units were adequately staffed and given supportive administrative facilities and authority. In such a case it might be more effective to have full-fledged regional development ministeries. Senegal, at present, is the only ECOWAS member State with such a ministry for economic integration.

60. Another approach involves the establishment of procedures for speeding up the ratification and implementation of decisions and acts adopted by the governing organs of groupings. It could include, for instance, an agreement by member States to the effect that once decisions have been adopted at the subregional level, they would become effective more-or-less automatically at the national level. Sanctions could be applied against member States failing to implement the agreed decisions within a reasonable period of time. Prompt and effective ratification and implementation of decisions and acts adopted at the subregional level should become a permanent feature of member States' support for their groupings. This would not be easy to effect because it touches on questions of supranationality, especially with respect to the willingness of member States to empower groupings to impose sanctions.

61. A third approach centres on the promotion of broad-based participation in, and support for, economic integration and cooperation. Expanding the latter's scope beyond the intergovernmental sphere is important if groupings are going to facilitate the spread of benefits realized to all sectors and levels of the region. It would also help to create a feeling of regional identity, increase the community's awareness about the process of regional development, and elicit their support for it. Measures in this regard could include: the promotion, under the aegis of groupings, of regional, social and cultural activities such as festivals and sport events; inclusion of the various social sectors such as non-governmental organizations and enterprises in the decision-making and implementation process of groupings; adoption of an articulate information policy within groupings such as ECOWAS has done when it decided in 1990 to allocate 20 per cent of official media in member States to news about ECOWAS; and the establishment of subregional parliaments for encouraging popular participation in the process of intra-African economic integration and cooperation.

G. Regional infrastructure development

62. Cooperation on developing and maintaining efficient, reliable communications linkages, inland (road, rail and air) transport linkages and ocean transport networks regionally should be strengthened because these elements facilitate regional trade as well as minimize the inherent costs. Groupings could take more initiatives in this direction; strong commitment and support

from member States would be required in tackling the task. The business sector should also be encouraged to participate in the establishment of regional road, railway, maritime shipping and civil aviation companies. It would help to develop competitive, financially viable and moderately comfortable transportation facilities.

63. In Africa, where most countries are linked by land, the most important mode of transportation for regional development may be road transport. Hence, the development of inter- and intra-subregional road networks is indispensable. It would involve completing missing segments of subregional and regional road networks, rehabilitating deteriorating infrastructure and placing emphasis on routine maintenance. The development of rail transport calls for similar treatment. Carriage by rail is important for the transport of bulk cargoes and heavy low-value primary commodities.

64. Regarding air transport, which is especially important for carrying light-weight manufactured products, several groupings have proposed establishing joint transport companies to service their regions as well as handle external trade. Member States of MRU, for example, had formed a regional airline, Air Mano, in May 1989. Unfortunately, owing to long delays in the granting of tariff rights by member States and more recently to political problems in the region, the launching of Air Mano's operations, originally scheduled for September 1991, had to be postponed. Three PTA countries, namely, Tanzania (United Republic), Uganda and Zambia were also developing a scheme for air transport.

65. Maritime modes of transportation, especially coastal shipping, are important in linking coastal States. Regional progammes for this transport mode are lacking and efforts to address the deficiency are only now underway. The West and Central African Coastal Shipping Service is a recent development initiative of ECOWAS and UDEAC, together with the Ministerial Conference of West and Central Africa on Maritime Transport (MINCONMAR). The aim is to provide a fortnightly service comprising two passenger vessels servicing the range of ports from Daka (Senegal) to Luanda (Angola), with a moderate standard of comfort for passengers and catering for the intra-regional freight market as well as transshipment to deep sea operators. Similarly, groupings should investigate the potential for developing regional transportation using inland waterways linking several countries such as the Nile, Zaire, Niger rivers and the lakes Victoria and Tanganyika.

66. Regional telecommunication linkages in Africa also need to be developed and improved. Rehabilitation and maintenance of existing facilities are important concerns. Some progress in this direction has been made through the Pan African Telecommunications Network (PANAFTEL) and the Regional African Satellite Communications System (RASCOM). However, the lack of funds and skilled manpower to maintain the existing facilities has undermined the quality of services.

III. EMERGING NEW REALITIES

67. The strengthening of intra-African economic integration and cooperation must be set in the context of changing global and regional realities. There are at least three salient elements in this regard, namely, the evolving international economic environment, the African Economic Community, and cooperation in Southern Africa in a post-apartheid era.

A. The international economic environment

68. The international economic environment affects the process of economic integration and cooperation among developing countries. Its influence became evident during the economic crisis of the 1980s. Deterioration of the external macroeconomic imbalances (rising trade deficits, deteriorating terms of trade, increasing debt and debt servicing burden) of African countries, not to mention most other developing countries, has severely undermined their cooperation efforts.

69. Although member States of groupings were expected to adopt common positions and joint measures for resolving the urgent economic problems, this did not occur. Instead, member States of groupings resorted to purely national measures of short-term crisis management, thereby often compromizing their obligations to their respective grouping. For instance, in trying to improve their balance-of-payments positions, many countries instituted drastic import cuts applied generally across-the-board without regard to 'standstill' agreements of trade liberalization programmes. Imports, especially from other developing countries, were substantially curtailed as part of the overall strategy to conserve scarce foreign exchange for debt servicing payments, in particular. World economic conditions contributed in large measure to the decline in the intra-trade of African groupings, and to the contraction in volume of transactions channelled through the multilateral clearing and payments arrangements (as mentioned earlier).

70. Some of the failure of groupings to cushion their member States from the adverse effects of the international economic environment has roots in the gap that exists between national macroeconomic policies and regional programmes. The extent of this gap became clear during the adoption of national structural adjustment programmes by member States of groupings when they diverted their attention away from long-term development and regional integration goals. Contrary to their commitment to greater macroeconomic policy coordination, member States often adopted conflicting or divergent policies under structural adjustment programmes such as beggar-thy-neighbour exchange rate depreciation which set them into mutual self-defeating competition.

71. Accordingly, one important theme underpinning efforts to strengthen intra-African economic integration and cooperation would be the strengthening of the link between national and regional development policies and programmes for evolving coordinated regional policy responses to external economic challenges and problems. At the national level, member States of groupings should endeavour to give prominence to regional development in national development plans. This approach would facilitate the adoption of national development policies that make allowance for regional development objectives. National policies for developing productive capacities, expanding trade and, in general, making structural adjustments should be consistent with regional integration policies. At the level of groupings, the formulation of development plans and programmes should, as far as possible, ensure a careful reconciliation of the individual interests of member States with those of the group as a whole. Such a linkage could be promoted through the establishment and strengthening of mechanisms for regular dialogue, consultation and exchange of views and experiences on national economic policies among member States of groupings at the ministerial level as well as at the level of working officials. Although some groupings have made provision for discussion between ministers and officials responsible for economic policy, these mechanisms have not become major features of the regional development process.

72. Changes in the world economy have underscored the need to strengthen the link between national and regional development policies and programmes. One notable change is the movement towards greater cooperation between developing country groupings and individual developed countries or groupings of developed countries. In Africa, this opening is being pursued by AMU and EEC in their efforts to formulate mutual economic and, possibly, trade cooperation agreements. Another general trend in developing countries has been towards liberalization and deregulation of their economies. This has created an atmosphere which could be favourably exploited by groupings pursuing liberalization of regional markets, particularly through the launching and strengthening of trade liberalization programmes. A third element of change is the new emphasis on regional integration as a stepping stone for the integration of countries into the global economy. If major industrialized countries are taking practical steps in this direction (such as the United States through its participation in the proposed North American free trade association and the EEC through its 1992 single market objective and the envisaged European Economic Space with the European Free Trade Area countries) then it is all the more vital that those developing countries which are less integrated into the world trading system should intensify their subregional and regional integration and cooperation process.

B. The African Economic Community (AEC)

Box 1
Establishment of the African Economic Community

First Stage: ***not exceeding 5 years;***

Focuses on strengthening and establishing viable subregional economic integration groupings in all subregions.

Second stage: ***not exceeding 8 years;***

Involves at the level of each subregional economic integration grouping: standardisation of trade documents relating to tariff and non-tariff barriers to intra-grouping trade and the preparation of a time-table for their elimination; strengthening sectoral integration in the areas of trade, agriculture, money and finance, transport and communication, industry and energy; and coordinating and harmonising their activities.

Third Stage: ***not exceeding 10 years;***

Involves at the level of each subregional integration grouping: the establishment of free trade areas through implementation of programmes for the elimination of tariff and non-tariff barriers; and the establishment of customs unions through the adoption of common external tariffs.

Fourth stage: ***not exceeding 2 years;***

Focuses on the co-ordination and harmonisation of subregional customs union arrangments into a single continental customs union.

Fifth stage: ***not exceeding 4 years;***

Centres on the establishment of an African Common Market through the adoption of common economic, monetary and financial, industrial and technological policies as well as the launching of the process for free movements of peoples.

Sixth stage: ***not exceeding 5 years;***

Focuses on the consolidation of the African Common Market through the establishment of the following: a single continental market allowing the free circulation of people, goods, capital and services; an economic and monetary union, including an African Monetary Fund and an African Central Bank with a single African currency; the establishment of African multinational enterprises in all sectors; and the creation of the AEC's executive organs namely: (i) an Assembly of Heads of State and Government; (ii) a Council of Ministers; (iii) a Pan-African Parliament; (iv) an Economic and Social Commission; (v) a Court of Justice; (vi) a General Secretariat; and (vii) Specialised Technical Committees.

Source: Treaty establishing the African Economic Community, Article 6.

73. A second major thrust supporting efforts to strengthen intra-African economic integration and cooperation is the establishment of the African Economic Community. Although the seeds of the AEC were sown in 1980 in the Lagos Plan of Action,[13] it received little subsequent attention from African countries preoccupied with their overall economic problems and debt crises. Towards the end of the 1980s, OAU engaged in reinvigorated efforts in this direction. These culminated in the signing by the 27th OAU Heads of State and Government Summit in Abuja (Nigeria), in June 1991, of a treaty establishing the African Economic Community (AEC).

74. The AEC's main objective is to organize, on a continental scale, concerted efforts among African countries to promote economic, social and cultural development and integration. In so doing it will tackle common development problems and promote endogenous, self-reliant and self-sustaining growth and development. Hence, upon its entry into force, the AEC Treaty will represent the first practical step forward in implementing political commitments to amalgamate the African continent into the biggest regional economic integration endeavour attempted by developing countries.

75. The Treaty embodies a plan, described in box 1 above, for the progressive creation of the AEC in six stages, spread over a period not exceeding 34 years from the date the Treaty takes effect. In the plan, the subregional groupings form the main pillars of the AEC. This is clear from the fact that the first three stages covering over 21 years will be devoted to strengthening existing subregional groupings and to coordinating and harmonizing their programmes and activities. The establishment of the AEC would thus depend largely on progress achieved by subregional groupings towards greater economic integration and cooperation. This will also be the biggest hurdle to overcome, given the fact that the process of intra-African economic integration and cooperation, as discussed earlier, is now going through a phase of adjustment to the crisis of the 1980s and to dealing with the new realities.

76. One potential problem stems from the sequencing of activities. The AEC is to be established by a process running through six stages; the completion of one stage is the start of next one and so on, forming a chain. However, if one or more of the subregional groupings is not able to meet the conditions of say, the third stage, then the whole process is likely to be blocked. The idea of sequencing reflects the expectation that all members of subregional groupings would simultaneously attain the objectives of each stage, and preferably as rapidly as possible within the time frame accorded. Progress towards the formation of the AEC could very well depend on the speed at which the slowest grouping moved towards attainment of the basic objectives marking each stage. Nonetheless, it is not inconceivable that the winds of change blowing across Africa and through other parts of the developing world inspiring hope of greater regional integration will give impetus to African countries taking up this challenge and putting into action and deed the provisions of the Treaty establishing the AEC.

C. Post-apartheid cooperation in Southern Africa

77. Anticipation of a true political settlement in South Africa has stimulated discussion on the substantive economic policy changes likely to confront policy makers in a post-apartheid era.[14] It includes new issues in the context of economic and social relationships in Southern Africa, following a long period during which economic sanctions and isolationism characterized the relationships of countries in the subregion. There are at least three issues of potential importance in this regard.

78. First, there is the new orientation in SADCC, as underlined by its 28-31 January 1992 Annual Consultative Conference theme, namely, "SADCC: Towards Economic Integration". The objective is to enhance the role of SADCC in promoting among its member States: "deeper economic cooperation and integration, on the basis of balance, equity and mutual benefit; providing for cross border investment, trade and freer movement of factors of production - labour

13 See the Annex for a reproduction of the Final Act of Lagos which specifically addresses the AEC.

14 Although events, especially political changes, are rapidly evolving in favour of the abolition of apartheid in South Africa, most African Governments have not as yet announced any change in their policies towards South Africa and both the United Nations and the Organization of African Unity resolutions on apartheid still stand (at the time of writing).

and capital - over national borders".[15] The SADCC Conference endorsed this theme and agreed that it was timely, appropriate and represented a watershed for SADCC and the subregion as a whole. In the past, SADCC was the pre-eminent subregional 'cooperation' grouping, especially for the rehabilitation and development of transport and communication facilities. Its metamorphosis into an 'integration' grouping would necessitate some degree of coordination and possibly harmonization of policies and approaches between SADCC and PTA, bearing in mind that all SADCC member States except two (Botswana and Namibia) are also members of PTA and that the latter has been dealing with economic integration issues. In this connection, the PTA Summit of Heads of State and Government in January 1992 adopted a resolution expressing the PTA's willingness to merge with SADCC into a single regional organization for integration and cooperation.

79. Secondly, existing economic and other relations between the countries participating in the Southern African Customs Union Agreement (SACU), namely, South Africa and the BLNS countries (Botswana, Lesotho, Namibia and Swaziland) are also likely to change. The end of SACU is not necessarily in sight, although the suspension by South Africa of its participation in current efforts to reform SACU may have conveyed such an impression. All of the BLSN countries have a vital interest in SACU as it is through this mechanism that their economies have become integrated to a greater or lesser degree into that of South Africa. Also, it may be retrogressive to undo the economic integration and cooperation relationships maintained under SACU. SACU could possible exist within the flexible integration arrangement envisaged by SADCC which would enable smaller groups of countries to move at their own pace through some or all aspects of the economic integration process.

80. Thirdly, the possible accommodation of a democratic and non-racial South Africa in the intra-trade of the subregion and other economic relations is likely to constitute a major element of subregional growth and development in the period ahead. The size of the economy of South Africa (GDP of US$ 88.2 billion in 1988) could act as the locomotive for growth in the subregion. South Africa's strong economy, relative to that of all of the neighbouring countries combined (the aggregate GDP of SADCC countries, excluding Angola and Namibia, for which data are not available, was about US$ 17.6 billion in 1988)[16] is also likely to be a cause of apprehension and anxiety in the subregion. A *laissez-faire* approach to economic integration, in a subregion with gross economic disparities, might tend to entrench existing inequalities and imbalances. Rather than helping in the transformation of economies in the subregion, such an approach might lead to their exploitation as potential markets for manufactured goods from South Africa.

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15 ***Theme Document - SADCC: Towards Economic Integration*** (SADCC, Maputo, 29-31 January 1992); p.1.

16 UNCTAD, ***Handbook of International Trade and Development Statistics: 1990***, (United Nations publication, Sales No. E/F.91.II.D.I.); Table 6.1.

IV. SUMMARY AND CONCLUSIONS

81. Regional and subregional economic integration and cooperation are widely accepted as necessary for the long-term sustainable development of African countries. The African countries themselves in concert with the international community, as attested by various convergent policy declarations and statements, have emphasized and reiterated the continued validity of intra-African economic integration and cooperation, for its potential contribution to the economic growth and development of African countries. The consolidation of the African economic space, in particular, through the formation of subregional common markets leading eventually to a continental common market has been perceived as a primary goal. This objective has provided the main rationale for the establishment of subregional economic integration and cooperation groupings in Africa.

82. In recent years, parallel to the resurgence of interest in regional integration globally, intra-African economic integration and cooperation are being revitalized. However, if a viable and dynamic process of intra-African economic integration and cooperation is to evolve over the next few decades, then the revival has to be set in the context of a realistic appraisal of past experience and new realities.

83. Factors endogenous to subregional and regional economic integration and cooperation have formed important obstacles. The obstacles encountered and lessons derived from past experience show that existing economic conditions are not particularly favourable to intra-African economic integration and cooperation. Accordingly, African countries need to emphasize the establishment of an enabling environment for supporting regional and subregional economic integration and cooperation. This requires the removal of internal deficiencies facing groupings in the broad areas of institutional arrangements, and emphasizing objectives, policies and instruments.

84. Groupings serve as the main institutional instruments promoting regional and subregional economic integration and cooperation. Their proliferation in Africa, however, posed various obstacles. Many member countries are not able to meet their financial contributions to the groupings, owing to the heavy financial burden of multiple membership in two or more groupings. The existence of several integration and cooperation groupings within a subregion also increases the potential for duplication of functions. This in turn leads to uneconomical use of scarce human and financial resources. There is also a proliferation of acts and decisions from the high-level meetings of the many groupings which, from the national perspective, undermines their importance and applicability. Hence, an immediate priority for strengthening intra-African economic integration and cooperation is rationalization -- through dissolution, merger or convergence, where appropriate -- of the functions and activities of the various groupings as well as of the groupings themselves, especially within the subregional context. Institutional rationalization is even more relevant in the context of the establishment of an African Economic Community.

85. All the groupings have their objectives and timetables for achieving them. However, the implementation schedules have often been too ambitious. The desire to consummate the market-integration process as quickly as possible has led groupings to adopt timetables of short periods with the corresponding activities to be implemented at the same pace by all member States. This principle of 'unison in movement' in the shortest period possible has been difficult to apply in practice because of differences among member States at different development stages, with disparate trade and tariff structures and macroeconomic policies. Consequently, the timetables have not been kept. The pace of the regional integration process has consequently been determined by the country with the slowest rate of implementation. Attention should be placed on averting this problem in the new phase of adjustment underway in the process of intra-African economic integration and cooperation.

86. The adoption of a comprehensive, albeit gradual approach, appears appropriate for promoting and strengthening intra-African economic integration and cooperation. An approach which would focus on priority activities in the major sectors of intra-African economic integration and cooperation, then slowly building upon the progress achieved would lead towards achieving the objectives. A degree of flexibility is needed so that smaller countries within a grouping could move at different paces in some or all aspects of regional integration and cooperation.

87. Regarding the instruments of integration and cooperation, urgent priorities include the following: (a) the launching of trade liberalization programmes in the groupings which lack them, with their progressive enhancement through the removal of non-tariff barriers, increasing product coverage and expanding the depth of preferential tariff margins; (b) the launching and strengthening of subregional agricultural and industrial development programmes, activities and related issues such as investment promotion and enterprise development and cooperation; (c) the strengthening of the operational effectiveness of existing clearing houses and payments arrangements; (d) the enhancement of follow-up actions at the national level in response to decisions taken at the subregional level; and (e) the development and strengthening of infrastructural networks among member States of groupings. With regard to infrastructure, the drafting of bankable projects and effective mobilization of resources from domestic and international sources for financing projects are important.

88. The strengthening of intra-African economic integration and cooperation must also take into account the changing global and regional environment. One pertinent development is the evolving world economy which affects intra-African economic integration and cooperation through its impact on the external sector of African economies. The beginning of the 1990s marked new changes in the international economic scene; this has given rise to new challenges and opportunities, to which the groupings and their member States will have to respond. The ability of these groupings to respond to change can be improved if concrete measures are taken to strengthen the link between national and regional dimensions of development policies and programmes.

89. The second new development is the consolidation of regional economic space as an important aspect of economic growth and development in the evolving international trading system. In particular, it may be instrumental in bringing about international competitiveness of countries and enhancing their participation in the global economy. The revitalization of the process of intra-African economic integration and cooperation, as well as the launching of the African Economic Community, must be seen in this light. The AEC itself is a new reality, within which the process of intra-African economic integration and cooperation could be structured. Establishing the AEC will be a formidable task, requiring strong political commitment on the part of member countries along with substantive progress at the subregional levels in the promotion of economic integration and cooperation.

90. The third new development relates to issues which could arise in the context of subregional economic and social relationships in Southern Africa in a post-apartheid era. These may include, *inter alia*: some rationalization between PTA and SADCC, as the latter develops into an economic 'integration' grouping; the future of existing economic and other relations between the countries participating in the Southern African Customs Union Agreement (SACU); and the possible accommodation of the large South African economy in regional trade and other economic relations with its smaller neighbours.

ANNEX

The Final Act of Lagos, adopted by OAU Heads of State and Government meeting in their Second Extraordinary Session in April 1980 in Lagos, provided, for the AEC, an agreed plan of action and schedule of implementation which are reproduced in the box below.

Box 2
African Economic Community: Plan of Action

I. Plan of Action

Confirm our full adherence to the Plan of Action, adopted at the present Extraordinary Session of the Assembly of Heads of State and Government for implementing the Monrovia Strategy for the Economic, Social and Cultural Development of Africa and to adopting, among other measures, those relating to the setting up of regional structures and the strengthening of those already existing for an eventual establishment of an African Common Market as a first step towards the creation of an African Economic Community.

II. Implementation of the Plan of Action

A. African Economic Community

We reaffirm our commitment to set up, by the year 2000, on the basis of a treaty to be concluded, an African Economic Community, so as to ensure the economic, social and cultural integration of our continent. The aim of this community shall be to promote collective, accelerated, self-reliant and self-sustaining development of Member States; co-operation among these States; and their integration in the economic, social and cultural fields.

We are, consequently, authorising the Secretary General of the OAU:

(i) to appoint, as quickly as possible, a Drafting Committee, at ministerial level, to prepare the draft of the treaty establishing the African Economic Community;

(ii) to submit this draft for the consideration of the Assembly of Heads of State and Government scheduled for 1981.

B. Stages of implementation

To achieve this ultimate objective, We commit ourselves:

(1) During the decade of the 1980s to:

(a) strengthen the existing regional economic communities and establish other economic groupings in the other regions of Africa, so as to cover the continent as a whole (Central Africa, Eastern Africa, Southern Africa, Northern Africa);

(b) strengthen, effectively, sectoral integration at the continental level, and particularly in the fields of agriculture, food, transport and communications, industry, and energy;

(c) promote co-ordination and harmonisation among the existing and future economic groupings for a gradual establishment of an African Common Market.

(2) During the decade of the 1990s to:

(a) take steps for further sectoral integation through: harmonisation of our strategies, policies and economic development plans; promotion of joint projects, particularly in the above-mentioned economic fields; harmonisation of our financial and monetary policies;

(b) take measures to effect the establishment of an African Common Market and other measures that would lead to the attainment of the aims and objectives of the African Economic Community.

To implement the Plan of Action at the various stages, we direct the Secretary-General of the OAU, in co-operation with the Executive Secretary of the United Nations Economic Commission for Africa, to take all the appropriate measures, in acordance with Part II, paragraph 7, of the Monrovia Strategy and to submit a progress report to the 1982 Session of our Assembly.